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## **PART 1 FOREIGN INFLUENCE**

### **Chapter 2 The China Plan**

In early 1997, news reports appeared alleging that U.S. federal intelligence agencies had discovered an attempt by the government of the People's Republic of China ("Chinese Government") to increase its influence in the U.S. political process.<sup>1</sup> From February through December 1997, the Committee examined these allegations. The examination included a consideration of both public and classified ("non-public") information.

Following the 1995 congressional resolution advocating that Taiwanese President Lee be permitted to visit the United States, as well as President Lee's subsequent visit, the Chinese Government determined that Congress and state officials were more influential in foreign policy decisions than the Chinese Government had previously believed. The information considered by the Committee shows that during the 1996 federal election cycle, Chinese Government officials decided to attempt to promote China's interests with the U.S. Congress, state legislatures, and the American public.<sup>2</sup> The Chinese Government's efforts have become known in the media as "the China Plan." The Committee's public discussion of the China Plan began on July 8, 1997, when Chairman Thompson opened the first day of public hearings by asserting that the China Plan was "hatched during the last election cycle by the Chinese Government and designed to pour illegal money into American political campaigns."<sup>3</sup> The Chairman explained that the information before the Committee indicated that the Chinese Government had apparently taken legal steps pursuant to the plan, such as hiring lobbying firms, contacting the media and inviting more members of Congress to visit China.<sup>4</sup> He also asserted that, "[a]lthough most discussion of the plan focuses on Congress, our investigation suggests it affected the 1996 Presidential race and State elections as well."<sup>5</sup>

The Chairman's assertions implied that the non-public information presented to the Committee included evidence that the Chinese Government's activities had affected, or had some meaningful impact on, the 1996 elections.

Based on the evidence presented to the Committee, the Minority makes the following findings:

#### **FINDINGS**

**(1) Following the 1995 congressional resolution advocating that Taiwanese President Lee be permitted to visit the U.S. and President Lee's subsequent visit, Chinese Government officials decided to attempt to increase the Chinese Government's promotion of its interests with the U.S. Congress, state legislatures and the American public. These efforts, which became known in the media as "the China Plan," reflected the Chinese Government's perception that Congress was more influential in foreign policy decisions than it had previously determined.**

**(2) The non-public information presented to the Committee to date does not support the conclusion that the China Plan was aimed at, or affected, the 1996 presidential election.**

**(3) Although some steps were taken to implement the China Plan, the non-public information presented to the Committee to date does not support the conclusion that those steps involved Chinese Government funds going to federal campaigns, either congressional or presidential.** During the Committee's public investigation, the Committee learned that contributions derived from foreign funds made their way into the 1996 federal election. The non-public information presented to the Committee, however, does not support the conclusion that these contributions were tied to the China Plan, or to Chinese Government officials. The non-public information presented to the Committee does support the conclusion that the China Plan was implemented with a relatively modest sum of money that was spent on lobbying Congress, paying for members of Congress to visit China, and increasing public relations with Chinese Americans.

**(4) The non-public information presented to the Committee raised questions regarding the political activities of one individual investigated by the Committee, Ted Sioeng, but the information available to date was insufficient to support the conclusion that his activities in connection with the political contributions made by his daughter or by his associates in the United States were connected to Chinese Government officials or the China Plan.** For information on Sioeng's activities explored during the Committee's public investigation, see Chapter 7 of this Minority Report.

## **INTRODUCTION**

After numerous press accounts were published discussing information gathered by Executive Branch agencies regarding the Chinese Government's plan to gain influence in the United States, Chairman Thompson began the first day of the Committee's public hearings by discussing these allegations. Thereafter, the Committee's handling of the allegations became one of the most hotly debated issues surrounding its investigation into campaign finance activities.

Before describing the plan on July 8, 1997, the Chairman cautioned that he was able to reveal only a small portion of the information gathered by the Committee due to its non-public nature. He stated, however, that the Committee had "uncovered a significant amount of documentary and other relevant information"<sup>6</sup> indicating that the Chinese Government plan was "one of the most troublesome areas" of the investigation and needed to "be placed on the public record . . . as soon as possible and in a careful and accurate manner."<sup>7</sup>

The Chairman then described the plan as one "hatched during the last election cycle by the

Chinese Government and designed to pour illegal money into American political campaigns.”<sup>8</sup> He asserted that “high-level Chinese Government officials” crafted the plan and that “the Committee has identified specific steps taken in furtherance of the plan.” Such steps, he claimed, were undertaken by “Chinese Government officials and individuals enlisted to assist in the effort.”<sup>10</sup>

The Chairman also asserted that the plan had been implemented by legal as well as illegal means.<sup>11</sup> According to the Chairman, the legal activities proposed by the Chinese Government included “retaining lobbying firms, inviting more Congresspersons to visit China, and attempting to communicate Beijing’s views through media channels in the United States.”<sup>12</sup> Immediately following the statement that illegal actions were involved, he asserted:

Although most discussion of the plan focuses on Congress, our investigation suggests it affected the 1996 Presidential race and State elections as well. The Government of China is believed to have allocated substantial sums of money to achieve its objectives.<sup>13</sup>

In response to these assertions, Senator Glenn said that “the Committee should go just as far as the facts take us.”<sup>14</sup> Several Senators also immediately disagreed with the Chairman’s conclusion that the China Plan had “affected” the presidential race, believing instead that the non-public information showed that the plan was focused exclusively on Congress. On the first day of hearings, Senator Levin pointed out that “China’s target in 1995 and 1996 was not the White House. It was the Congress.”<sup>15</sup> In fact, Senator Levin noted that press reports indicated that the China Plan was focused on lobbying Congress, and that foreign countries had spent \$86 million to lobby the U.S. Government in the first half of 1996 alone, with Japan registering expenditures of \$17 million in six months.<sup>16</sup> He concluded that the China Plan expenditure which had been referred to during the public hearing that morning was a small fraction of the \$86 million.<sup>17</sup> The amount referred to during the public hearing that morning was less than one candidate typically raises to run for election to the U.S. House of Representatives.

On July 15, 1997, Senators Glenn and Lieberman issued a joint statement explaining their position:

We are in absolute agreement as to the intelligence information known to us and the conclusions that can be drawn with certainty from that evidence. We acknowledge, and never denied, that the information shown to us strongly suggests the existence of a plan by the Chinese Government -- containing components that are both legal and illegal -- designed to influence U.S. congressional elections.

However, as we also both agree, it is not clear from the evidence that the illegal aspects of such a plan were ever put into motion. Nor is there sufficient information to lead us to conclude that the 1996 presidential election was affected by, or even part of, that plan.<sup>18</sup>

Senator Durbin predicted that because the evidence pointed to the plan’s focus on

Congress, "this Committee will not touch that issue" and will instead focus only on any possible link between China and the Democratic presidential campaign.<sup>19</sup> And, indeed, the Committee's investigation of the China Plan focused on the sole question of whether the Chinese Government actually made campaign contributions to the Democratic National Committee or the Democratic presidential campaign. After two months of hearings, Senator Durbin again commented that "[t]his investigation kicked off with the Chairman's statement that we were setting out to find evidence of an effort by the Chinese Government to influence the outcome of the 1996 Presidential election. I don't believe there's been any evidence presented to support that . . . [P]erhaps there will be in the weeks to come."<sup>20</sup>

Ultimately, despite the attempt by the Majority to tie China to a variety of contributions to the Democratic Party, the Committee to date has not received information in its closed proceedings, or in its open proceedings, that supports the assertion that the China Plan "affected the 1996 presidential race."

### **THE COMMITTEE'S INVESTIGATION**

The Committee's investigation of the China Plan consisted primarily of gathering non-public information already obtained by Executive Branch agencies. The Committee began requesting information from the agencies in February 1997, and thereafter received and reviewed boxes of responsive documents. The Committee also held closed hearings on July 28, 1997, and September 11, 1997, and received numerous staff briefings during the course of its investigation, which terminated on December 31, 1997. The Committee was informed that the non-public information from the Executive Branch agencies should not be understood to represent the full picture of any issue that was under investigation.

With that caveat, the Committee reviewed non-public information to determine the extent to which the Chinese Government's activities affected the 1996 federal elections. This chapter sets forth conclusions based on the non-public information made available to the Committee. A more detailed classified report has been lodged with the Office of Senate Security, located in the United States Capitol.

The Minority believes that it is the responsibility of the Committee to clearly distinguish between conclusions based on non-public information, not available to the public, and public information that is available to both the Committee and members of the public. This chapter focuses on conclusions based on the non-public information reviewed by the Committee. Where public information is discussed, it is clearly noted as such, although this chapter does not fully address conclusions that may be drawn from the Committee's public proceedings. The Committee's public investigation is discussed elsewhere in this Minority Report and, unlike the Committee's closed proceedings, is based upon information that is available for public review and analysis.

This chapter discusses background on federal law regulating the political activities of foreign governments and companies in the U.S.; the results of the Committee's closed

proceedings regarding the China Plan; and information not pursued by the Committee in its closed proceedings. The Minority response to the Majority Chapter on the China Plan is located in Part 9 of this Minority Report. See Part 9, Response to Majority Chapter 18.

## **BACKGROUND**

Foreign involvement in the American political process has long been permitted under federal law. In 1938, the federal government enacted the Foreign Agents Registration Act ("FARA") to govern the activities of all individuals in the United States who engage in lobbying, political activities or public relations on behalf of foreign governments or companies.<sup>21</sup> As amended, FARA requires individuals who conduct political or public relations activities on the behalf of foreign governments or political parties to register as "foreign agents" and disclose their expenditures. An "agent" is defined as one who acts "at the order, request, or under the direction or control of a foreign principal, or of a person whose activities are directly or indirectly supervised, directed, controlled, financed, or subsidized in whole or in part by a foreign principal . . . ." <sup>22</sup> Registration is not required if the individual is acting in his or her capacity as an official of a foreign government or a member of the news media.<sup>23</sup> Beginning in 1996, individuals who lobby on behalf of foreign companies or other foreign private interests, as opposed to foreign governments, may register under the Lobbying Disclosure Act.<sup>24</sup>

Promotional activities on behalf of foreign governments or other interests have increased dramatically as the world economy has become more integrated. Foreign governments and companies are affected by, among other things, U.S. trade policies, foreign aid decisions, intellectual property protections, and tourism.<sup>25</sup> As the world economy becomes more integrated, decisions made in the United States have an impact on the ability of foreign governments and companies to prosper.

A report published by the Asian Development Bank in 1997 noted that "[c]ountries that are well integrated into international production networks and widely exposed to market trends abroad will be much better placed to benefit than those that remain isolated."<sup>26</sup> The report suggested that Asian governments:

Be open to foreign direct investment, and to capital markets more generally [because] free capital mobility allows firms to tap into funds from abroad and to create new and flexible capital structure with partners in other parts of the world.<sup>27</sup>

The report also noted that prosperous Asian countries are "increasingly relying on international joint ventures, strategic relationships and information-sharing partnerships."<sup>28</sup>

It comes as no surprise that lobbying and promotional activities of foreign countries in the United States have increased in recent years. In 1992, the Justice Department reported that Hong Kong interests spent nearly \$80 million on lobbying and public relations in the United States, with Japan spending over \$60 million, Canada \$22.7 million, and Mexico \$1.5 million on lobbying for passage of the North American Free Trade Agreement alone.<sup>29</sup> By 1996, a summary of the

Justice Department figures showing that foreign interests spent over \$400 million on such activities in the first six months of 1996 alone.<sup>30</sup>

Despite the fact that China is the most populous country in the world, the Chinese Government reportedly spent only \$450,000 on lobbying in 1991 and 1992. Chinese Government and private companies together spent approximately \$2 million in the first half of 1996, only a fraction of the multimillion dollars spent by other countries.<sup>31</sup>

Although many foreign governments and companies have increased attempts to promote their interests in the United States, they are forbidden by federal law to influence the electoral process in the United States. Federal law bans (1) foreign contributions to political campaigns and (2) campaign expenditures paid for by foreign entities.<sup>32</sup>

A key issue raised in connection with the China Plan was whether the Chinese Government had proposed or undertaken to promote its interests in the United States by legal and proper means, or whether its activities may have amounted to illegal Chinese Government interference in the 1996 election process.

## **THE CHINA PLAN**

### **Events Leading up to the China Plan**

From 1949 to the early 1970s, the Chinese Government maintained only sporadic diplomatic relations with the United States. In the 1970s, the Chinese and U.S. governments began to strengthen and expand diplomatic ties and subsequently completed a diplomatic exchange in 1979.<sup>33</sup>

Evidence indicates that prior to 1995, the Chinese Government approach to promoting its interests in the United States was focused almost exclusively on using traditional diplomatic levers such as official summits and meetings with high-level Executive Branch officials.<sup>34</sup> In these meetings, Chinese Government officials often negotiated with U.S. officials by using the appeal of China's huge commercial market.<sup>35</sup> U.S. companies were also known to lobby the U.S. government on issues that benefited both the companies and China.<sup>36</sup> In the 1990s, the news media reported on the increase of U.S. companies lobbying for favorable trade policies regarding China.<sup>37</sup> This became known as the "New China Lobby" and consisted of "representatives of business groups with trade and investment interests in China, including AT&T, General Motors and Boeing."<sup>38</sup> In addition, prominent Americans were reported to be involved in promoting increased economic relationships with China, the most notable being Henry Kissinger, who has maintained business ties to the Chinese company CITIC. Others included George Shultz, Cyrus Vance, Lawrence Eagleburger Jr., and Brent Scowcroft.<sup>39</sup> The New China Lobby apparently urged U.S. officials to uphold Beijing's trade privileges with the United States because American exports to China were rapidly increasing and creating American jobs.<sup>40</sup>

U.S. exports to China have grown from \$3 billion in 1980 to \$38 billion in 1994.<sup>41</sup> Between 1991 and 1996, U.S. exports to China increased by 90.5 percent and the U.S. Department of Commerce designated China as one of the top 10 “Big Emerging Markets” offering the largest potential for U.S. goods and services in the years ahead.<sup>42</sup> Total trade between the two countries had risen from \$4.8 billion in 1980 to \$63.5 billion in 1996, making China the fourth largest U.S. trading partner.<sup>43</sup> President Clinton has renewed China’s Most Favored Nation’s trade status each year.<sup>44</sup>

In light of the increased economic relations between China and the United States, foreign policy experts debate why it seems in the 1990s “that China is about to replace Japan as America’s new post-Cold War bogeyman?”<sup>45</sup> One reason discussed was the negative American response to the Chinese Government’s treatment of human rights, demonstrated by the Chinese Government’s suppression of movements within China to promote democracy.<sup>46</sup> Another reason, from the Chinese perspective, was that “the coming to power of a China-bashing Congress is perceived as part of an increasing anti-Chinese atmosphere in Washington.”<sup>47</sup> Evidence presented to the Committee during its investigation supports the conclusion that the Chinese Government, beginning in 1994, was concerned that decisions by Congress would harm Chinese Government interests.<sup>48</sup>

In its relationship with the United States, China has traditionally been concerned with U.S. policy toward Taiwan. Chairman Thompson explained in his opening statement:

Although the United States maintains no official ties with the Government of Taiwan, our diplomatic relations with the Government of China have long been influenced by our ties to Taiwan. This is largely because the Government of China considers Taiwan a rogue province and suspects it of seeking independence from the mainland.<sup>49</sup>

In early 1995, Taiwanese President Lee Teng-hui requested a visa to enter the United States to attend events associated with his college reunion scheduled to be held in June 1995. Following this request, some predicted that Congress would pressure the President to permit Taiwan’s President Lee to visit the United States.<sup>50</sup> And, in fact, in March 1995, Congress passed a resolution calling for the Administration to grant the visa to President Lee.<sup>51</sup> President Clinton subsequently agreed to grant the visa. In June 1995, news reports stated that President Lee had made a “triumphal first private visit” to the United States, which included attending events in New York hosted by his alma mater, Cornell University.<sup>52</sup>

The Chinese Government immediately protested the decision to grant President Lee a visa. The Chinese Government, working through traditional diplomatic channels, suspended ongoing treaty negotiations and recalled its ambassador to the United States.<sup>53</sup>

### **Information about the China Plan**

At the same time, Chinese Government officials developed a set of proposals to promote



the Chinese Government's interests with Congress and the American public, particularly Chinese Americans. The proposals, which have become known in the media as the China Plan, were prompted by the Chinese Government's surprise that Congress had successfully lobbied the Administration to grant a visa to President Lee. The Chinese Government was aware that President Clinton initially had been opposed to the visa and concluded that the influence of Congress over foreign policy and other decisions was more significant than it had previously determined. When formulating its plan, Chinese Government officials also acknowledged that, compared to other countries, particularly Taiwan, it had little knowledge of, or influence over, policy decisions made in Congress.

The plan was formulated in Beijing and was provided to Chinese Government officials in the United States. The plan instructed Chinese officials in the United States to increase their knowledge about members of Congress and increase diplomatic contacts with members of Congress, the public and the media. The plan also suggested ways to lobby Congress.

The China Plan, as proposed by Chinese Government officials, was clearly designed to gain influence with the U.S. Congress and the American public. During its investigation, the Committee was informed during a closed hearing that the China Plan was designed to study and make decisions on how to work with members of Congress.<sup>54</sup> As set forth in the non-public information provided to the Committee to date, it was unclear whether the China Plan proposed funneling campaign contributions to Congressional elections, but it was clear that it was not aimed at influencing the 1996 presidential race.<sup>55</sup>

### **Implementation of the China Plan**

The Committee also investigated how the Chinese Government may have implemented the China Plan. As proposed, the China Plan suggested activities that are legal in the United States as well as activities that could be illegal, depending on how they were implemented. As noted above, it is legal for foreign governments to promote their interests in the United States through lobbying, public relations and other political activities, as long as the individuals conducting these activities are official diplomatic representatives of the foreign government or have registered under the Foreign Agents Registration Act. However, individuals acting on behalf of foreign governments may violate U.S. law if they lobby or conduct political activities without registering under that Act or if they attempt to influence U.S. elections through campaign contributions.

### **Legal Activities**

The Committee received evidence that the Chinese Government implemented at least some of the legal proposals contained in the plan. The Chinese Government took steps to gather public information about specific members of Congress and to otherwise increase its lobbying of Congress by such means as inviting more members of Congress to visit China. The Committee learned that Chinese Government officials increased cultural exchanges with Chinese Americans, and the Chinese Government expressed concern that the majority of Chinese Americans, particularly those living in California, supported Taiwan.<sup>56</sup>

The Committee also learned that the Chinese Government created a special “legislative working group” in Beijing, entitled The Leading Group on the U.S. Congress. The Committee was informed that the Leading Group included high-level Chinese Government officials and was similar to other committees within the Chinese Government that pursue policy initiatives, such as the Chinese Government’s Leading Group on Foreign Affairs.<sup>57</sup> Public information confirms that the Chinese Government has a variety of “leading groups” as part of its Government structure and that many of the groups contain high-level Chinese Government officials.<sup>58</sup> The Committee was also informed that the Leading Group on the U.S. Congress apparently was a shell organization. Public information confirms the formation of the Leading Group on the U.S. Congress, with some diplomats and scholars stating that the group attempted to promote its interests with lawmakers and the American public, but was not effective.<sup>59</sup>

Other information obtained by the Committee suggests that Chinese Government officials held meetings to discuss how to implement the China Plan and to consider how to raise money to implement the proposals.

### **Illegal Activities**

The Committee did not receive sufficient information from its non-public investigation to conclude that the China Plan, as implemented, resulted in illegal activity connected to U.S. federal elections. However, the Committee did receive sufficient information to suggest that illegal activities may have occurred on the state level.

During a closed Committee hearing held on September 11, 1997, agency officials informed the Committee that the information they had to date demonstrated that the China Plan had been implemented by Chinese Government officials by lobbying Congress, encouraging increased public relations with Chinese Americans, and possibly becoming involved in political activities at the state level. The agencies reminded the Committee that the information given to the Committee, while representing all the information that was then available, should not be considered complete. However, the agencies testified that the information at that time did not include information that any illegal activities had occurred on the part of the Chinese Government in relation to congressional or presidential elections.<sup>60</sup> The agencies also cautioned the Committee that there could be violations of law if U.S. companies or persons were lobbying on behalf of China’s interests, as opposed to their own, but did not register under the Foreign Agents Registration Act.<sup>61</sup>

As Senators Glenn and Lieberman concluded upon review of the China Plan evidence:

[T]he information shown to us strongly suggests the existence of a plan by the Chinese government -- containing components that are both legal and illegal -- designed to influence U.S. congressional elections.

[I]t is not clear from the evidence that the illegal aspects of the plan were ever put into motion.<sup>62</sup>

As is evident from the events leading up to the formulation of the China Plan, the contents of the plan itself, and current information regarding its implementation, Chinese Government officials designed the China Plan to promote the Chinese Government's interests with Congress and the American public. There was insufficient information presented to the Committee to conclude that the China Plan resulted in illegal activity by the Chinese Government in relation to the 1996 federal elections.

### **Individuals under Investigation and the China Plan**

Information obtained by the Committee suggests that Chinese Government officials discussed ways to use "intermediaries" to implement the China Plan. Chinese Government hoped to use the influence of individuals in the United States by encouraging U.S. companies with interests in China to lobby for pro-Beijing trade policies and by encouraging Chinese Americans to promote pro-Beijing policies in the press and with Congress.<sup>63</sup>

The Committee explored the possibility that the Chinese Government may have used other individuals to promote Chinese Government interests in the United States. During the Committee's public investigation, a number of individuals were alleged to have participated in a variety of political activities, including making or arranging for political contributions to federal elections that were possibly funded from sources in Asian countries. The individuals included John Huang, Maria Hsia, Ted Sioeng, Charlie Trie, Johnny Chung, James Riady, and Yogesh Gandhi.

During the Committee's closed investigation, the Committee sought any nonpublic information available on these individuals. During a closed Committee hearing on July 28, 1997, Committee Members took testimony from the Executive Branch agencies regarding the non-public information available on this topic. One Member asked, "Is there any evidence that some of these people may have been intermediaries for the China plan or for PRC money [to the 1996 federal elections]?" A senior executive official answered in the negative, based on the non-public information available at the time of the hearing in late July, 1997.<sup>64</sup>

### **Ted Sioeng**

After the closed hearing in late July 1997, additional information was provided to the Committee in September and November of 1997. The information concerned certain activities of Ted Sioeng, an Indonesian businessman who has family members living in California and business interests in China. The Committee learned that Chinese government officials in California were aware of, and possibly encouraged, Sioeng's purchase of a Los Angeles-based newspaper. Sioeng purchased the International Daily News in 1995 and succeeded in having the paper report from a pro-Beijing perspective.<sup>65</sup> There was also information suggesting that Sioeng met with Chinese officials in 1995 and 1996.

Sioeng also may have been involved in directing or funding contributions to American political entities and campaigns. The public information obtained by the Committee suggests that

Sioeng personally directed contributions to Republican California officials in 1995.<sup>66</sup> According to public information, Sioeng was involved in these contributions,<sup>67</sup> but the source of the contributions is difficult to determine.<sup>68</sup> The non-public information suggests that approximately half of the just over \$100,000 used for these contributions may have come from unknown sources in China.<sup>69</sup> According to public information, one of the officials, Republican California State Treasurer, Matt Fong, has returned the \$100,000 he received from Sioeng.<sup>70</sup>

The Committee's public investigation of Sioeng's activities also explored contributions to federal entities in 1995 and 1996 made by Sioeng's daughter, Jessica Elnitiarta, or by companies Elnitiarta legally controls. Elnitiarta is an American citizen and businesswoman living in Los Angeles who contributed \$50,000 to the National Policy Forum, an arm of the Republican National Committee, and \$250,000 to the Democratic National Committee.<sup>71</sup> Elnitiarta informed the DNC and this Committee that she had made the contributions to both the NPF and the DNC and that she used appropriate funds to do so.<sup>72</sup> Bank records obtained as part of the Committee's public investigation suggest that the origin of the funds contributed to the NPR and the DNC could not be conclusively determined, but that the funds contributed to the DNC did derive either from Elnitiarta's personal account or from the accounts of domestic business interests she controlled.<sup>73</sup>

The Committee's non-public investigation did not provide sufficient information regarding whether Elnitiarta's contributions to the NPF or the DNC were directed by Sioeng or were derived from unknown sources in China. Based on all the information before the Committee, however, including the information regarding Sioeng's apparent contacts with Chinese Government officials, the Minority believes that these activities warrant further investigation, including whether Sioeng collected any of the contributions to state officials or federal parties or entities. For a full discussion of the public information regarding Sioeng's activities, see Chapter 7 of this Minority Report.

The Committee received non-public information mentioning a few other individuals scrutinized in its public investigation: John Huang, Maria Hsia and the Riadys.

### **John Huang**

Regarding John Huang, one piece of non-public information that mentioned his name was factually incorrect based on other known information, and the other contained an unsubstantiated hearsay speculation gathered in 1997 after Huang's campaign finance activities were well-publicized. For a discussion of the Committee's public investigation of Huang, see Chapter 4 of this Minority Report.

### **Maria Hsia**

Regarding Maria Hsia, the Committee received non-public information connecting some activities she undertook while an immigration consultant in the state of California in the early to mid-1990s to Chinese Government officials. This information did not involve her activities with

respect to fundraising, and there was no information presented to the Committee during its investigation that connected Hsia's fundraising activities to the Chinese Government. In an affidavit submitted to the Committee, Hsia strongly objects to this allegation, outlines her ties to Taiwan and the U.S., and describes her activities while an immigration consultant in California.<sup>74</sup> In light of the incomplete investigation of the Committee on this issue, the Minority believes that the Committee lacks sufficient information about Hsia to endorse or rebut these serious allegations. The fact that the Majority emphasizes these allegations throughout its Report without putting the allegation in context or addressing this information is troubling. For a discussion of the Committee's public investigation of Hsia, see Chapters 4 and 21 of this Minority Report.

### **The Riadys**

Regarding Mochtar and James Riady, there was no non-public information presented to the Committee that provided relevant information not already uncovered in the Committee's public investigation. The Committee's public investigation, including hearing testimony by an expert witness called by the Majority in July, 1997, covered the Riady's business dealings throughout the world, including dealings within China and with the Chinese company China Resources.<sup>75</sup> Public information confirms that the Riadys have a multi-million dollar international business that does business within China and with China Resources.<sup>76</sup> According to public information, China Resources, while being a trading and investment company owned by the Chinese Government with subsidiaries involved in hundreds of joint ventures, also allegedly has some relationship with Chinese Government intelligence officials.<sup>77</sup> The non-public information provided to the Committee to date, however, does not support the conclusion that the Riadys' business dealings consist of foreign spying or other similar intelligence activities. For a discussion of the Committee's public investigation of the Riadys, see Chapter 4 of this Minority Report. For a response to the Majority's allegations regarding these individuals, see Part 8 of this Minority Report.

### **Intermediaries: Relation to the Committee's Public Investigation**

Despite numerous searches and documents produced by the Executive Branch agencies, the non-public information presented to the Committee to date suggests that the political activities of one individual, Ted Sioeng, may possibly be linked to Chinese Government officials or the China Plan.<sup>78</sup> The non-public information received by the Committee to date, however, is insufficient to conclude that Sioeng participated in federal political contributions to the National Policy Forum or the Democratic National Committee made by his daughter or her companies in 1995 and 1996 or that those funds were derived from the Chinese Government or other sources in China.

One of the problems confronted by the Committee when examining the role of potential fundraising "intermediaries" in closed sessions was the use of the term "foreign agent." In popular culture, the term "foreign agent" suggests that an individual is participating in illegal foreign spy activity. As used by the Executive Branch, however, the term also describes individuals who conduct legitimate activities in the United States on behalf of other countries.

This broader definition of “agent” used in the Committee’s non-public information resulted in misleading allegations.

Notwithstanding the allegations that derived from misleading information provided to the press, the non-public information presented to the Committee does not support the conclusion that the fundraising activities in the 1996 federal election cycle investigated by the Committee during its public investigation were connected to Chinese Government officials or to the China Plan. The agencies were careful to note, however, that their investigations are ongoing.

It is also important to note that the Committee received information during its public investigation that raised troubling questions of private individuals using foreign funds to make contributions to state officials and federal entities, including Matt Fong, the National Policy Forum, and the Democratic National Committee. Although the non-public information presented to the Committee to date does not provide information tying these private individuals’ federal fundraising to any foreign government, the public information presented to the Committee in open session did raise questions regarding the source of a number of those contributions and the activities of a number of individuals. Again, it is important to note that the goals of this chapter are (1) to clearly distinguish between conclusions based on non-public versus public information obtained by the Committee and (2) to set forth conclusions based only on the non-public information reviewed by the Committee to date. Despite the insufficiency of the non-public information on fundraising matters, the public information regarding the fundraising activities of certain individuals is troubling and is discussed elsewhere in this Minority Report. The public information is also available for public review and analysis.

### **Political Contributions to Federal Elections**

Another issue raised in connection with the China Plan was whether there was non-public evidence showing that Chinese Government officials had used Chinese Government funds, directly or indirectly, to make political contributions to federal elections in the United States. (The information obtained by the Committee regarding state elections is discussed above in relation to Sioeng’s activities with state officials in California.)

There was evidence that the Chinese Government, by setting forth its proposals, was attempting to influence U.S. congressional decisions and elections, but there was insufficient information to conclude that the China Plan, as proposed or as implemented, involved Chinese Government political contributions to congressional campaigns. During a closed hearing of the Committee held on July 28, 1997, senior Executive Branch officials knowledgeable about the information were questioned about the effect of the China Plan on congressional elections. Senator Glenn asked whether the documents provided to the Committee to date discussed only activities surrounding Congress. The officials responded affirmatively.<sup>79</sup> However, based on testimony during the July 28, 1997 closed hearing, as well as additional testimony during a September 11, 1997 closed hearing, there was no evidence that the Chinese Government had actually made illegal campaign contributions to members of Congress.<sup>80</sup>

The Committee also investigated whether the information provided to the Committee suggested that the China Plan, as proposed or as implemented, involved Chinese Government political contributions going to the 1996 presidential election. The debate on this issue began on July 8, 1997, when Chairman Thompson concluded that the China Plan may have “affected the 1996 Presidential and State races.”<sup>81</sup>

As set forth above, the Committee already had learned that the China Plan, as proposed, was not aimed at the Executive Branch or the presidential race. The Committee nonetheless considered whether Chinese Government officials had taken steps to arrange placing money into the presidential election, or whether it took any actions at all that may have “affected” the 1996 presidential race. During the Committee’s closed hearing on July 28, 1997, Senator Glenn asked the Executive Branch agencies:

Is there any indication that the 1996 Presidential race may have been affected by the Chinese plan?<sup>82</sup>

The agencies’ officials responded in the negative, with the understanding that the response was based on the information available at the time and that the available information could not represent a complete picture of any issue under investigation.<sup>83</sup> The Chairman then followed up on Senator Glenn’s questions by stating:

If I may follow up on one point for clarification. You were asked about any evidence affecting the ‘96 Presidential campaign . . . I believe you said you had no evidence from your . . . investigation. Do you have evidence from your . . . investigation or can you tell us?<sup>84</sup>

A senior Executive Branch official responded negatively again.<sup>85</sup>

On July 28, 1997, the information presented to the Committee clearly did not support the conclusion that the China Plan affected the 1996 congressional or presidential races, either through illegal means, such as Chinese Government funded political contributions. In the following months, the Committee received additional non-public information, but that information regarded possible Chinese “intermediaries” and is discussed above. The information and conclusions on the issues regarding political contributions to federal campaigns and, ultimately, the conclusion about any effect the Chinese Government may have had on those federal elections, remain the same.<sup>86</sup>

### **Political Contributions: Relation to the Committee’s Public Investigation**

In its public investigation, the Committee received evidence of foreign funds from businessmen in a variety of Asian countries coming into the American political system from 1993 to 1996. In particular, the Committee received public information that the DNC returned approximately \$3 million in political contributions, a portion of which was determined to derive from foreign funds. These events raised troubling questions that are addressed elsewhere in Part

1 of this Minority Report. During its closed proceedings and investigation, the Committee did not receive non-public information tying these fundraising activities in the 1996 federal election cycle to the China Plan or the Chinese Government.

### **INFORMATION NOT PURSUED BY THE COMMITTEE**

Although the Committee's gathering of non-public information focused on the China Plan and the Chinese Government, the Committee received information surrounding the 1996 federal election cycle that the Committee decided not to pursue, as follows:

- Although the Committee discovered that the China Plan was aimed at influencing Congress and discovered that specific steps had been taken to influence Congress, the Committee did not pursue this information in order to determine what activities may have occurred regarding specific members of Congress.
- The Committee received numerous documents suggesting that other Asian governments had developed plans to promote their interests in the United States. These plans proposed taking actions similar to those contained in the China Plan, including lobbying, using intermediaries, and encouraging ethnic Americans to contact U.S. officials. The Committee did not pursue this information or attempt to determine whether the plans were implemented.
- The Committee received documents suggesting that several non-Asian governments also had plans to promote their interests in the United States. Many of these plans were similar to the China Plan, while others set forth more detailed activities to gain influence in the United States. The Committee did not investigate these issues.
- The Committee received information that intelligence agents of a foreign country attended a Republican presidential fundraiser in 1995. This information was discussed by the Committee, but the issue was not pursued.

### **CONCLUSION**

During the Committee's public investigation, evidence was presented that established that a portion of the \$3 million in contributions that were returned by the Democratic National Committee derived from foreign funds. The public evidence also established that some of the funds came from private individuals or companies in a number of Asian countries and that the funds may have been used to provide access to DNC events. The public evidence received by the Committee is discussed in detail in Chapters 3 through 8 of this Minority Report. The public information, in conjunction with the non-public information that China and other countries proposed plans to influence the political process raised legitimate questions of whether any foreign government funds were used to make political contributions during the 1996 election



cycle. In light of the Committee's focus on the Chinese Government, the Committee examined that issue, but the nonpublic information presented to the Committee during the course of its investigation did not support the conclusion that the funds from a variety of Asian countries were connected to the Chinese Government. In addition, the non-public information does not support the conclusion that the China Plan, or its implementation, was directed at, or affected, the 1996 presidential election. Ultimately, the China Plan and the allegations derived from the Committee's review of nonpublic information were found to be of minimal significance to the issues investigated by the Committee.

1. New York Times, 1/2/97; Washington Post, 3/13/97; Time 3/97.
2. This chapter has been reviewed by Executive Branch agencies to ensure that it does not contain classified information. During that review, the Executive Branch agencies informed the Committee that their review of both the Majority and Minority chapters on this issue did not include any position regarding the conclusions reached by the Majority or the Minority.
3. Chairman Thompson, 7/8/97 Hrg., p. 2.
4. Chairman Thompson, 7/8/97 Hrg., p. 4.
5. Chairman Thompson, 7/8/97 Hrg., p. 4.
6. Chairman Thompson, 7/8/97 Hrg., p. 2.
7. Chairman Thompson, 7/8/97 Hrg., p. 1.
8. Chairman Thompson, 7/8/97 Hrg., p. 2.
9. Chairman Thompson, 7/8/97 Hrg., p. 4.
10. Chairman Thompson, 7/8/97 Hrg., p. 4.
11. Chairman Thompson, 7/8/97 Hrg., p. 4.
12. Chairman Thompson, 7/8/97 Hrg., p. 4.
13. Chairman Thompson, 7/8/97 Hrg., p. 4.
14. Senator Glenn, 7/8/97 Hrg., p. 19.
15. Senator Levin, 7/8/97 Hrg., p. 47.
16. Senator Levin, 7/8/97 Hrg., p. 47.
17. Senator Levin, 7/8/97 Hrg., p. 47.
18. Joint Statement by Senator John Glenn and Senator Joseph Lieberman, 7/15/97.
19. Senator Durbin, 7/8/97 Hrg., p. 82.
20. Senator Durbin, 9/9/97 Hrg., pp. 146-47.
21. Foreign Agents Registration Act, 22 U.S.C. 611 et seq. (1997).
22. Foreign Agents Registration Act, 22 U.S.C. 611(c).

23. Foreign Agents Registration Act, 22 U.S.C. 623; 611 (d).
24. Lobbying Disclosure Act of 1995, 2 U.S.C. 1601 et seq.(1997).
25. Congressional Research Service Issues Brief, China-U.S. Trade Issues, 1/23/98, pp. 7-8.
26. Emerging Asia; Changes and Challenges, Asian Development Bank Publication 010297, 1997, p. 33.
27. Emerging Asia; Changes and Challenges, Asian Development Bank Publication 010297, 1997, p. 33.
28. Emerging Asia; Changes and Challenges, Asian Development Bank Publication 010297, 1997, P. 33.
29. South China Morning Post, 11/3/93; New York Times, 7/1/93.
30. The Hill, 6/27/97.
31. Department of Justice data provided to the Committee; New York Times, 3/14/97; New York Times, 7/9/97; South China Morning Post, 8/15/93.
32. Federal Election Campaign Act, 2 U.S.C. 441e; Federal Election Commission regulations, 11 C.F.R. 110.4.
33. Political Handbook of the World, 1997, Eds. Banks, A. Day, Al. and Miller, T. CSA Publications, Binghamton, NY, p. 168.
34. Closed Committee Hearing, 7/28/97 Hrg., p. 5.
35. Closed Committee Hearing, 7/28/97 Hrg., p. 5; see e.g., Boston Globe, 3/24/97.
36. New York Times, 3/14/97; Boston Globe, 3/24/97.
37. Business Times, 5/19/94; The Economist, EIU Ltd., 2/8/93.
38. Senator Glenn, 7/9/97 Hrg., pp. 153-156; Business Times, 5/19/94.
39. Boston Globe, 3/24/97.
40. The Economist, The Economist Intelligence Unit, Ltd., 2/8/93.
41. Business Times, 2/7/95.
42. Congressional Research Service Issue Brief, China-U.S. Trade Issues, 1/23/98, pp. 12-13.
43. Congressional Research Service Issue Brief, China-U.S. Trade Issues, 1/23/98, p. 1.

44. New York Times, 3/9/97; Washington Post, 3/20/97; Star Tribune, 3/22/97; Los Angeles Times, 3/23/97 and 3/25/97; Houston Chronicle, 3/27/97; Financial Times, 10/27/97.

45. Business Times, 2/7/95; New York Times, 6/6/96P; Chicago Tribune, 8/27/96; New Republic, 7/31/95; Boston Globe, 1/7/96; Pittsburgh Post-Gazette, 3/31/96.

46. See, e.g., Washington Post, 3/1/97.

47. Business Times, 2/7/95; New York Times, 6/6/96; Chicago Tribune, 8/27/96; New Republic, 7/31/95; Boston Globe, 1/7/96; Pittsburgh Post-Gazette, 3/31/96.

48. Closed Committee Hearing, 7/28/97, pp. 6-7.

49. Chairman Thompson, 7/8/97 Hrg., pp. 2-3.

50. Washington Post, 3/31/95; Financial Times, 3/8/95; Daily Yomiuri, 3/28/95; South China Morning Post, 3/24/95.

51. H.Con.Res. 53, passed 3/29/95; see also S.Con.Res. 9, 3/6/95; H.Con.Res. 33, 3/6/96.

52. Washington Post, 6/11/95; see also Los Angeles Times, 6/8/95; Washington Post, 6/10/95.

53. Houston Chronicle, 8/25/95; Senator Thompson, 7/8/97 Hrg., p. 3.

54. Staff Briefing, 7/24/97.

55. Closed Committee Hearing, 7/28/97, p. 41.

56. Closed Committee Hearing, 7/28/97, p. 7.

57. Closed Committee Hearing, 9/11/97.

58. South China Morning Post, 8/21/96 (generally); South China Morning Post, 11/5/97 (Leading Group on Foreign Affairs); Washington Post, 3/11/97 (head of the Leading Group on Foreign Affairs is also involved in "discussions about how China might improve relations with American lawmakers."); British Broadcasting Corp., 7/8/94 (Leading Group on Financial Affairs); Japan Economic Newswire, 11/16/95 (Chinese Government's Leading Group on Taiwan Affairs includes intelligence official); South China Morning Post, 1/7/97 (Leading Group on Military Affairs); Japan Economic Newswire, 11/30/95 (Leading Group established to oversee the 1999 handover of the Portuguese colony to mainland China); Xinhua News Agency, 3/28/95 (Leading Group established on Mining Resources).

59. Christian Science Monitor, 3/13/97. This group has also been referred to as "The Leading Group on U.S.Congressional Affairs."

60. Closed Committee Hearing, 9/11/97.

61. Closed Committee Hearing, 9/11/97.
60. Joint Statement by Senator John Glenn and Senator Joseph Lieberman, 7/15/97.
63. Staff Briefing, 8/5/97.
64. Closed Committee Hearing, 7/8/97, P. 54.
65. Staff interview with David Ma, 8/24/97; Staff interview with Jessica Elnitiarta, 6/19/97; Los Angeles Times, 5/18/97.
66. Matt Fong deposition, 9/19/97, pp. 14-19, 29, 30 & 35-37.
67. Matt Fong deposition, 9/19/97, pp. 14-19, 29, 30 & 35-37.
68. See Chapter 7 of this Minority Report.
69. Closed Committee Hearing, 9/11/97.
70. Matt Fong deposition, 9/19/97, pp. 66-67.
71. Memorandum from Steve Hendershot, Special Agent detailed to the Senate Investigation, entitled "Jessica Elnitiarta Record Review," 8/22/97; Staff interview with Jessica Elnitiarta 6/19/97; Letter from Thomas McFish, counsel to Jessica Elnitiarta, to the Committee, 6/18/97; Los Angeles Times, 7/4/97; Newsweek, 3/10/97.
72. Staff interview with Jessica Elnitiarta, 6/19/97.
73. See Chapter 7 and supporting citations.
74. Declaration of Maria Hsia, 2/23/98. Hsia received a Committee subpoena on May 19, 1997 that requested her to provide testimony regarding her campaign finance activities in the United States. In response, Hsia asserted her Fifth Amendment rights and did not provide such testimony. The allegations regarding Hsia's alleged connections to the Chinese Government appeared several months later, in November of 1997. When these allegations were made, Hsia requested the opportunity to provide information to the Committee about these issues and on February 23, 1998, she submitted a sworn declaration to the Committee.
75. Thomas Hampson, 7/15/97, Hrg. pp. 67-71.
76. Thomas Hampson, Hrg., 7/15/97; Washington Post, 7/18/97; Newsweek, 2/24/97.
77. Washington Post, 7/17/97; Newsweek, 2/24/97; Financial Times, 8/21/93; Time, 5/5/97; Washington Post, 7/18/97; Business Wire, 1/7/98; Xinua Wire Service, 11/10/92.

78. Closed Committee Hearings, 7/28/97 and 9/11/97; Closed briefings, 11/7/97, 12/5/97, 1/22/98.
79. Closed Committee Hearing, 7/28/97, pp. 43-44.
80. Closed Committee Hearing, 7/28/97, pp. 4, 30, 32, 69.
81. Chairman Thompson, 7/8/97 Hrg. pp. 2-3.
82. Closed Committee Hearing, 7/28/97, p. 44.
83. Closed Committee Hearing, 7/28/97, p. 44.
84. Closed Committee Hearing, 7/28/97, p. 46.
85. Closed Committee Hearing, 7/28/97, p. 46.
86. The only closed hearing on the China Plan that was recorded or transcribed was the one held on July 28, 1997. The other hearings were not transcribed, but are supported by briefing papers submitted by the agencies.